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LETTER DATED 8 SEPTEMBER 1997 FROM THE CHAIRMAN OF THE SECURITY COUNCIL COMMITTEE ESTABLISHED BY RESOLUTION 661 (1990) CONCERNING THE SITUATION BETWEEN IRAQ AND KUWAIT ADDRESSED TO THE PRESIDENT OF THE SECURITY COUNCIL

I have the honour to transmit herewith the report of the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait pursuant to paragraph 4 of Security Council resolution 1111 (1997). The report, covering the Committee's activities in relation to the implementation of Council resolution 986 (1995) during the first 90 days after the date of entry into force of paragraph 1 of resolution 1111 (1997), was adopted by the Committee on 8 September 1997.

(Signed) António MONTEIRO
Chairman
Security Council Committee established
by resolution 661 (1990) concerning the
situation between Iraq and Kuwait

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Annex

Report of the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait on the implementation of the arrangements in paragraphs 1, 2, 6, 8, 9 and 10 of resolution 986 (1995)

I. INTRODUCTION

1. The present report is submitted to the Security Council pursuant to paragraph 4 of resolution 1111 (1997) of 4 June 1997, in which the Council requested the Security Council Committee established by resolution 661 (1990), in close coordination with the Secretary-General, to report to the Council 90 days after the date of entry into force of paragraph 1 of that resolution on the implementation of the arrangements in paragraphs 1, 2, 6, 8, 9 and 10 of resolution 986 (1995) of 14 April 1995. By paragraph 1 of resolution 1111 (1997), the Council decided that the provisions of resolution 986 (1995), except those contained in paragraphs 4, 11 and 12, should remain in force for another period of 180 days beginning at 00.01 hours, Eastern Daylight Time, on 8 June 1997.

2. To date, the Committee has submitted two reports to the Security Council pursuant to paragraph 12 of resolution 986 (1995) during the first 180 days since the beginning of the operation, the first on 11 March 1997 (S/1997/213) and the second on 30 May 1997 (S/1997/417).

II. SALE OF PETROLEUM AND PETROLEUM PRODUCTS

3. Following the approval of the pricing mechanisms submitted to the Committee on 5 August 1997 by the Iraqi State Oil Marketing Organization for liftings of Iraqi crude in the month of August, Iraq resumed petroleum sales on 8 August 1997. The overseers continued to advise the Committee on prices, volumes, liftings, destinations, management of the 90-day revenue objective of $1.07 billion (including the pipeline fee) and other pertinent questions related to imports and monitoring of petroleum exports originating in Iraq in accordance with the provisions of resolutions 986 (1995) and 1111 (1997).

4. As at 5 September 1997, the overseers had reviewed and approved a total of 24 contracts involving purchasers from 13 countries. The total quantity of oil approved for export under those contracts corresponds to approximately 107.9 million barrels for the entire 180-day period renewed by resolution 1111 (1997). All contracts submitted employed the pricing mechanisms approved by the Committee.

5. In the first 90-day period, 30 liftings totalling 35.7 million barrels, with an estimated value of $571 million, had been completed. The first lifting took place on 15 August 1997 at Ceyhan, in Turkey. The letters of credit opened for each of the loadings were confirmed by the overseers upon compliance with

the terms and conditions of the contracts approved and consultations with the parties concerned. About 62 per cent of the liftings have been made at Ceyhan.

6. Owing to the delayed start in the sales of petroleum, a tight lifting schedule has been adopted by the State Oil Marketing Organization to achieve the $1 billion revenue target for the first 90 days over a relatively short period. The overseers and the independent inspection agents (Saybolt) have worked closely to ensure the monitoring of the relevant oil installations as well as the liftings. They have received the full cooperation of the Iraqi authorities. However, it appears that the total revenue generated for the first 90-day period will be about $500 million below the 90-day objective of $1.07 billion (including the pipeline fee), if current prices remain unchanged.

7. Pursuant to paragraph 2 of the procedures (S/1996/636), 238 national oil purchasers have been nominated from 40 countries who are authorized to communicate directly with the overseers.

8. Pursuant to paragraph 14 of the Committee's procedures, the overseers have continued to report to the Committee once a week on the contracts considered by them regarding sale of petroleum originating in Iraq, including the cumulative quantity and approximate value of petroleum authorized for export. To date, 37 such reports have been submitted to the Committee.

III. EXPORT OF HUMANITARIAN SUPPLIES TO IRAQ

9. The Committee continues to attach high priority to the work of processing contracts for supplying humanitarian goods to Iraq. Following the renewal by resolution 1111 (1997) of the operations under resolution 986 (1995), humanitarian supplies to Iraq approved under resolution 986 (1995) during its first 180-day period continued to reach Iraq.

10. During the past 90 days, the Committee adopted a number of points of understanding aimed at further expediting the implementation of resolution 986 (1995). On 20 August 1997, the Committee approved the revision of the form of notification or request to ship goods to Iraq and the guidance note on its completion. A copy of the new form has been circulated to all Member States. With a view to facilitating the delivery of humanitarian supplies to Iraq, the Committee also agreed to extend the validity period of its approval letters to ship humanitarian supplies to Iraq from the initial 120 days to 180 days, with a possible further extension of another 90 days upon request. The above-mentioned measures have been implemented by the Secretariat as from 1 September 1997.

11. Following the adoption by the Council of resolution 1111 (1997), the Government of Iraq submitted a request on 14 June for the addition of a new entry point at the Iraqi/Syrian border for the import of goods under resolution 986 (1995). A technical mission from the United Nations visited Iraq from 11 to 14 July 1997 to ascertain the situation and to make an on-site survey of the proposed new entry point. Pursuant to paragraph 26 of the memorandum of understanding between the Secretariat and the Government of Iraq on the implementation of resolution 986 (1995) (S/1996/356), and upon the recommendation of the technical mission, the Secretary-General approved on

31 July 1997 the designation of Al-Walid at the Iraqi/Syrian border (facing Al-Tenf, Syrian Arab Republic) as a new entry point for the supply of humanitarian goods to Iraq under resolution 986 (1995). Preparations are currently under way for the deployment of 10 independent inspection agents in the entry point for the purpose of confirming the arrival of humanitarian supplies to Iraq in accordance with paragraph 36 of the Committee's procedures for the implementation of resolution 986 (1995).

12. As required under paragraph 8 (a) (ii) of resolution 986 (1995), the Government of Iraq has on 4 August 1997 submitted a new distribution plan for the purchase and distribution of humanitarian supplies for an additional period as defined in resolution 1111 (1997). The new distribution plan was subsequently approved by the Secretary-General.

13. At the date of the adoption of the present report, the Committee has received 855 applications related to the oil-for-food programme under resolution 986 (1995). Of that number, 42 have subsequently been cancelled; 789 have been circulated to Committee members for action; 687 have been approved, totalling approximately $1,207 million; and 79 have been placed on hold. Of the remaining 23, 20 have been blocked and 3 are awaiting decisions of the Committee since the time limit within which the Committee is expected to decide has not elapsed. Twenty-four have not yet been circulated to Committee members since the Secretariat is still waiting for the needed information from the applicant States. To date no applications for the export of humanitarian goods under resolution 1111 (1997) have been received by the Secretariat. Owing to the delayed beginning of oil sales, it is not anticipated that funds for exports to Iraq will be available in the escrow account until mid-September.

14. The work of goods arrival confirmation by the United Nations independent inspection agents (Lloyd's Register) has been going on smoothly at the three existing entry points at Trebil, Zakho and Umm Qasr. The Iraqi authorities have accorded the independent agents full cooperation in their operation. As of 5 September 1997, 226 consignments of humanitarian supplies have been confirmed as having arrived in Iraq in total or in partial shipments.

IV. MATTERS RELATING TO THE KIRKUK-YUMURTALIK PIPELINE

15. As summarized in the Committee's previous report on the oil-for-food operation (S/1997/417), Turkey had requested the Committee's approval pursuant to paragraph 2 of resolution 986 (1995) for payments of the oil transportation fee due to Turkey during the first 180-day period of Iraq's oil exportation under that resolution. To date, two transfers of the pipeline fee with a total amount of $96,571,233 for the first 180 days have been effected, with Turkey as the beneficiary.

16. As summarized also in the Committee's report (S/1997/417), the Committee received from Turkey, pursuant to paragraph 9 of resolution 986 (1995), two requests to supply parts and equipment for the repair and maintenance of the Kirkuk-Yumurtalik pipeline system in Iraq. The first one, relating to equipment for the immediate repair work to the pipeline, was approved by the Committee on 15 July 1997 following the submission by Turkey of a specific export contract on

2 April 1997. The second one, which concerns the supply of equipment by Turkey aimed at ensuring the medium- and long-term safety of the pipeline, is still pending since the Committee needs more time to be able to assess the actual needs of such supplies only after the completion of the initial repair of the pipeline.

V. OBSERVATIONS AND RECOMMENDATIONS

17. The process of the export of petroleum from Iraq has proceeded in full compliance with the provisions of Security Council resolutions 986 (1995) and 1111 (1997), the memorandum of understanding and the procedures adopted by the Committee. At the same time, the Committee has made repeated efforts to expedite the processing of humanitarian supplies to Iraq and consignments of supplies approved during the initial 180-day period operation continue to arrive in Iraq steadily. With the approval by the Secretary-General of the new distribution plan and the computerization of the categorized list of goods annexed to the plan, the Committee will be in a better position to address the humanitarian needs of the Iraqi people by expediting further the processing of contracts.

18. Owing to the delay in the export of petroleum in the first two months following the adoption of resolution 1111 (1997), the total revenue generated by Iraqi oil exports did not reach the objective of $1.07 billion (including the pipeline fee) for the first 90-day period ending 5 September 1997. The likely implications of the shortfall in oil revenues have been brought to the attention of the Security Council.

19. The Committee is appreciative of the support, cooperation and understanding from all concerned in discharging its responsibilities under resolutions 986 (1995) and 1111 (1997). It remains fully committed to the mandate entrusted to it by the Security Council.